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KARL MARX
ON
VALUE

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BY

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Written in the hope that it may prove of some indirect service to that large and growing company of earnest students of all social classes who are seeking a better understanding of the present phase of social development.

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CHAPTER I

THE LAW OF VALUE—WHAT IT IS

KARL MARX was born in Treves a small town of Rhenish Prussia in 1818 and died in London in 1883. He gave to socialism the biggest impetus it ever received ; and to capitalism he gave perhaps the most drastic examination to which it has yet been subjected. Seventy years and more have passed since he began to write and there is no socialistic author to-day more widely read or with a larger following of believers. When his strength is so great it is important that the limitations of it, if they are serious, should be realised. This little book is devoted to some of these limitations. It is an effort to make clear a point in which he has been held to be wrong. It is not a small point. It is a point of the greatest importance. It concerns what he himself declares to be the central tenet in his economic teaching, his Law of Value.

The importance of discussing Marx's Law of Value.

We would not have this statement misunderstood. The intention here is to exhibit the fallacy which the writer believes to underlie Marx's theory of value. There is no suggestion that to show the fallacy in the Marxian Law of Value is to be finished with Marx. It is probable that there is much in him still to be discussed after

his economics is settled with. And we hope at some future time to return to that. Meanwhile what is in question is only the economic system and particularly the main teaching of that system the hypothesis regarding capitalistic society on which it is built.

I

The task.

There seems to be no doubt that Marx's Law of Value rests on a confusion ; and if it is true as many have believed, that everything in him turns upon that, then the error is a grave one. Of course this may not be true. Those may be wrong who believe that all Marx has to teach depends on his Law of Value. Perhaps a great deal of his teaching rests on quite other foundations. The present writer is inclined to think so; although it should be added that he is also inclined to question the soundness of those other foundations. But the latter point must at any rate be admitted to be debatable ground. With regard to the Law of Value it would seem that it is not so. That there is a mistake at the root of it, would seem capable of demonstration. And Marx's economics certainly stands or falls with the Law of Value whether the whole Marxian view of life does or not. This demonstration is what we wish to give. It is not new. It has been given before. Our aim here is simply as far as possible, to set it in such a light that he who runs may read.

Our task falls therefore into two parts. We

shall try in the first chapter of the book to say what the Law of Value is; and in the next two to explain clearly what is wrong about it.

II

The Law of Value is an answer to a question and we must inquire in the first place what the question is. We shall best bring it into the open by approaching it from two sides; first raising it ourselves in the fashion that comes most readily to us; and after that consulting Marx to see how the same question emerges under his own hand. We shall then be in a position to estimate his undoubtedly striking answer.

What then in its simplest outlines is the problem to which the Marxian Law of Value is offered as a solution?

It is at least, let us say at once, a problem calculated to appeal to the spirit of Marx. We mean that it is no mere local or national question. The absence of anything merely local or national is one of the conspicuous features of Marx's outlook. He is a truly international writer. He is an observer of the social life of Europe. The times he lived in invited this width of observation. European life was in an interesting state. It was passing through a period of what seemed to those who lived in it a period of great changes, and they were common to all countries; changes in manners, in standards of living, in industrial

Marx's
general problem: What
is happening
in the world?

organisation, political life and religious beliefs. People accustomed to the old ways were anxious as to what might be the outcome of it all. And so, after a fashion, was Marx. This is the first point we wish to notice about him. In his own fashion, he too was interested in the passing of the old order. He too was driven to speculate on what the future might bring. And his Law of Value was his guide in all that forward-looking speculation.

But the Law of Value could function as his guide to the future, only because it seemed to hold the key of the present. Marx was a thinker. It is one of the characteristics of the thinker to realise that the secret of the future is contained in the present, that whatever the future holds for us is a-preparing even now. It is all very well to ask anxiously about what is going to happen ; none of us can prophesy ; all we can be sure of is that the future comes out of the present, and that being prepared for it is a matter of understanding the present. The thinker's task therefore is to construe what now is. Marx turns his attention to that. "What is actually happening?" is his question. "What is in fact now a-preparing? What is toward?" This is the problem to which the Law of Value seemed to hold the key.

III

But this is only the general problem. The problem thus stated is stated at its very broadest.

We must come nearer to it, if we are to see particularly how the Law of Value came in.

In general, Marx was out to learn what was really happening in the world of his time. Like many other great men he would read his own age. The particular place to which he looked for a clue was the sphere of economics. He would judge of what events were abroad in other regions of social life, by what was happening there.

Marx's problem more particularly stated : What is happening in the economic realm ? Answer : Something called value is being created, whose nature demands inquiry.

This is a principle with Marx. All other social changes, changes in the field of politics, in the realm of taste, in the sphere of ethical and religious belief or the like, begin in the economic realm. With this therefore we have first to reckon if we would understand any phase of civilised life. Such is the essence of his so-called economic view of history, the view which he considered materialistic and which he advocated as against the idealistic reading of history taken by one of his former masters, the philosopher Hegel.

When Marx turns to inquire what actual changes were coming over the economic order during his own time, it is still in the spirit of the thinker that he confronts the question. Scientist as he is, he seeks his clues as a scientist ought to. He falls back on the universal. The business of the economic sphere is to create value. What, he asks, does this value-creating consist in? What is the nature of the process? What do men do?

His answer can be given simply enough. Men produce material things and exchange them when

they are produced. One man works to produce wheat and another works to produce shoes ; the one then offers some of his shoes in exchange for the other's wheat, because he cannot live without the wheat. Such, reduced to its very simplest terms, is the story of the economic process.

Yet this simple statement cannot be all. There are anomalies in the process of man's making and exchanging of goods. When we look around we observe the greatest differences in the command which various people have of the goods made. Some have many and some have few. Those who have many can exchange their superfluity for whatever they please : and so they are in a place of power. What is it in the economic process that brings this about ? How are some richer than others ? Or rather, what is it for one to be richer than another ? In what do differences of wealth consist ? When is a man, properly speaking, wealthy ? This is the problem. Until we understand a little better what wealth means we cannot hope to know how those great and growing differences of wealth originate or what properly to do about them.

And here the mystery of value emerges upon us. A man's wealth, whatever it consists of, does not consist in the abundance of the things he possesses. One may possess a whole barnful of stuff while another can put all his wealth into a very little casket ; and yet the latter person may be far the wealthier of the two. The wealth does not lie in the bulk. It is on

the value that it depends. What, then, is this thing which we name value? And how does it behave? There must be something in it and in the laws of its behaviour which contains the clue to much that is far-reaching in the changes of the age.

IV

Having found our own way to the place where the nature of value comes up before us as a problem demanding solution, we may now glance at the opening passage of the first volume of Marx's chief work, *Capital*, and see how the problem emerges under his own hand. We must go slowly, because his reasoning is very concentrated. But it is worth while; not merely because he comes out at the end with the very question which we came upon, but because many important points are brought out by his method of approach which do not appear in our own simpler statement.

Marx's question: What gives commodities their power to exchange?

Marx, in the opening paragraphs of this first chapter, is examining into the facts connected with exchange-value. Take any commodity, he says—we are paraphrasing him freely, of course—say, a quarter of good wheat. Offer to exchange it. It will fetch, in exchange for itself, the most different quantities of different stuffs; of straw it would fetch the price of probably a considerable heap, of apples perhaps the price of a barrel or two, of gold the price only of a very little bit.

Apropos of this, Marx, at the end of the sixth paragraph makes the following statement. "Exchange-value generally, is only the mode of expression, the phenomenal form, of something contained in it, yet distinguished from it." This statement, formidable as it looks, is in essence simple enough and it exhibits Marx's problem very clearly.

We are to call the straw, the apples and the gold "exchange-values." Being each the exchange-value of the same thing, the wheat, they are equal in something. They contain an equal measure of something. There is a something in each of them—it must be spread very thin throughout the straw, and it must be concentrated very highly in the gold—but a something is present in each to an equal degree. The problem is to say what that is. It is what gives the commodities their power to exchange. It is plainly the "value" on which, we saw above, a man's wealth depends, and not on the mere abundance of his possessions. Marx's name for it is exchange-value. But to say what it consists of, to say what sort of a substance this "thing of air" is, is the problem of his work. What is it in a thing which gives it the power to fetch other things in exchange for itself? By what is its exchange-value measured?

His answer is
hypothetical.

To this question, Marx, of course, has his answer. Everybody who knows anything about him knows what it is. And we shall proceed to consider it in our next chapter. One thing, how-

ever, is worth saying here. Having raised the question, "Where does this mysterious power named exchange-value come from?" and having offered an answer to it, and an answer which is startling, Marx proceeds forthwith to build upon this answer. He assumes that it is the correct one. He persists in assuming this, through page after page and chapter after chapter; it gets him into all sorts of interesting positions; and he erects an entire economic system upon it; all without offering the reader any test whereby he might try and see for himself whether it is the true answer or not.

Such is the great defect in Marx's method of work. By introducing a certain train of perfectly natural considerations he shows how a question of crucial importance emerges on our hands. Having raised the question, he answers with what is at most a very interesting hypothesis. Instead of testing the hypothesis he just proceeds to work with it; feeling, most likely, that the mere possibility of working with it was itself a test; too preoccupied, apparently, in exploring the conclusions to which it led to be able so much as to realise how anything which led to such magnificent conclusions could fail to be true. And certainly there was some excuse. Certainly once the barriers of prejudice are down, the reader feels for a long time as if this intoxicating suggestion of Marx's could hardly be false. What reinforces the feeling, too, is the difficulty, except to one with a certain amount of expert knowledge,

of seeing at once any test to which the suggestion could conveniently be brought.

Did Marx himself see that there was such a test, or did he not? It is an interesting question. The best answer would appear to be this. Marx believed very immovably in his great hypothesis. And while he probably knew, and knew pretty clearly, that there were some crucial tests it had to pass, he felt very sure that it would pass them all right. So he simply put them off. But the test did come. It had to; for Marx was not the man to keep shirking crucial issues to the end. And he tried hard to pull his theory through. But he did not manage it. No one I am persuaded unless he has a theory to defend, could say that Marx is really successful when it comes to that supreme issue. But before we can consider this, we must look a little more closely at what his hypothesis was.

V

Marx's hypothesis.

What is the measure of the exchange-value of a thing? On what does its power to fetch other things in exchange for itself depend? Marx first offers a negative answer. "At least," he replies, "it does not depend on the properties it possesses."

In the fifth paragraph of the opening chapter of *Capital* the important assertion is made that exchange-value cannot be 'intrinsic.' "Exchange-value appears to be something accidental and purely relative; and consequently an intrinsic

value—*i.e.*, an exchange-value that is inseparably connected with, or inherent in commodities, seems a contradiction in terms." By 'inherent' and 'intrinsic,' here, is meant simply, 'in' the thing and comparatively permanently in it, as its physical properties are. And the doctrine is that exchange-value cannot be inherent in that sense. A ton of coal which contained its exchange-value exactly as it contains its weight or its blackness would, Marx says, be impossible. It would be a contradiction. The poker, for example—one example is as good as another—is a commodity which has a handle and a point and other properties or features which make it valuable in use. What makes it valuable in exchange? Not any of these things. Without them, indeed, it would not exchange for much. But these things do not secure its exchange-value. If they did, its exchange-value would remain, so long as they were intact. But this would mean, what is certainly not the case, that it would exchange as well at one time as at another, in one place as in another, and equally well whether pokers were plentiful or scarce, or iron cheap or dear: for none of those circumstances change its physical properties. An article's exchange-value may vary, although its properties do not change.

What, then, does exchange-value depend on? What does it vary with? What is it fixed by? This is the question which Marx has to answer; and his answer, the answer on which he stakes his entire political economy, is that what fixes

the value of anything is the amount of labour which has been spent upon it. Ask how much labour was needed for its production and you have the measure of its exchange-value.

The true
force of it.

It is important not to misunderstand the point of this. At first sight, it seems as if Marx were presenting us here with some ideal standard. We always assume, for example, that a golden bowl is of more value than a wooden one. Usually we attribute the superior value to the precious metal. Marx steps in with the striking statement that the value is wholly in the labour. There is no superior value in it except in so far as it contains more labour. In saying this he would seem merely to be counselling us to judge of things by another standard than we are accustomed to. His words seem to suggest some ideal world where this way of reckoning would be universal, where nothing would be reckoned precious except according to the toll it took of human time and strength to produce it. To understand him to be speaking in this sense, however, would be a gross mistake. Marx is not in the least telling us how value ought to be reckoned. He is telling us how it is reckoned. He is not concerned with what we ought to do. He is only interested in what we do. In this matter he is only trying to say how human valuations actually go. And this is his finding. Men value things by the labour on them. A commodity, when placed on the market, actually fetches other things having the same labour in

them as it has. If a boll of wheat is regularly exchangeable for a barrel of apples, a fraction of an ounce of gold, or a great heap of straw, then this means, in Marx's view, that all of these are produced by the same amount of labour as the wheat. That is why they exchange in equal proportion. Always, the amount of labour in it determines for how much an article will exchange.

VI

A very important consequence follows; nothing less than that the capitalistic system is inherently and inevitably unjust. Those who create the value do not reap it.

His deductions from it; the doctrine of surplus value.

This is elaborated by Marx in his famous doctrine of surplus value. A certain quantity of raw material comes to a factory and after a time leaves it as finished goods. It had a certain value when it arrived and has a greater value when it leaves. Marx wishes to know where the new value came from which it has acquired meantime.

For it has acquired value. There is no getting away from it. There can be no pretending that the extra money which the finished goods command, as compared with the raw material, is fetched by them without their having really gained in value. It is not a case, Marx insists, of their being always sold for more than they are really worth. There is plenty of sharp practice in business; but Marx will not have it that it

is all sharp practice. It cannot be. That the enhanced prices should be derived always from goods being sold over their worth is, he says, a contradiction. If everybody sells goods over value then everybody must buy over value too; if everybody sells his finished product over its value everybody must buy his raw material over its value; the thing is as broad as it is long. No. The normal thing according to Marx is that the goods, in passing through the capitalist's hands, have actually acquired a higher value. He wants to know where it comes from. And his hypothesis is that it comes from labour; from the capitalist's employees; from the work which their hands and brains have put into it.

Now all would be fair and square with regard to this if the employees were allowed to own the value which they have thus created. But under the capitalistic system this cannot happen. Wages cannot possibly rise so high as to absorb all the new value which the men gave to the goods by putting their work into them. If they did, the employer would have to sell the goods for what they cost him. He would get no profit. He could not subsist, and production would stop.

Such is the essential injustice of the capitalistic system. It is to be noted that Marx's complaint is not that the system gives the labourer too little. In this many would have agreed with him. Many besides Marx have believed that the labourer gets too small a share of the value

which he at least helps to produce. Marx's complaint is that the capitalist system does not allow him to have the whole—*i.e.*, the whole difference between the value of the material as it comes into his hands and its value when it leaves.

VII

The real importance of the Law of Value can now be pointed out. It is not important because it supports Marx's economic system, although it does this. It is important because it gives him his moral case.

The essence of Marx's charge against the capitalistic system is contained in his Law of Value.

In Marx's view something called capital exists as distinct from something else called labour. His moral case, to put it bluntly, is that capital robs labour and ought not to. Capital abstracts something which labour has put into the article. What labour puts into the article is its value. Capital abstracts part of that and calls it its profit. Capital did not always know, of course, that it was doing this. But it knows now, since Marx has spoken. And to its credit be it said, it has had rather an uneasy conscience since. But in any case this, according to Marx, is what it does. It exploits. And the view is based on the Law of Value—*i.e.* on the notion that labour is the entire and sole source of value.

To speak of Marx having a moral case is sure to raise reflections. Those familiar with his works are likely to ask what the moral case mattered to Marx? And rightly; for he always disparaged

mere moral appeals and professed to build on other foundations. He personally, therefore, may have set very little store by the strong moral case his theory gave him. But this is nothing to the purpose. A great many people do want a moral case; and in the eyes of a great many people he had one; and this fact, in their cases, has given him his point of entry and secured his success. And the satire and the precious irony of his own writings are abundant evidence that he really knew how to direct appeals to people's interest in justice. It is only stupid to pretend that anything else than men's moral natures have rallied to Marx's support, when he has declaimed against capital robbing labour and the like. Capital, on its side, seeing that there are vestiges of a moral nature in it too, wants nothing so badly at the present hour as to be assured that Marx was mistaken.

And although Marx was not wholly mistaken; although he was not sufficiently mistaken for capital ever to be quite at its ease again in its old conception of itself; still, he was vitally mistaken.

VIII

The fallacy
in the Law of
Value.

Capital robs labour? Capital certainly takes its profit; but as to its robbing labour—that depends. It all depends on the truth or otherwise of what Marx's Law of Value, when reduced to strict terms, asserts; which is this. *Under the capitalistic system, in the end and as a rule, the*

value of a thing will be high if the labour spent on it is great, low if the labour is little. Unless this is true, labour cannot be the whole source of value. Now, it would appear not to be true.

We shall go into the matter in our next chapter. But we may indicate at once the nature of the fallacy. If p is the source of q then when p is great q will be great and when p is little q will be little. The two will maintain a proportion to each other all the time. If either varies the other will be found to have varied. Value, then, should vary with its source. When the labour is much the value should be much. When the labour is little the value should be little.

Now it would appear that value does not vary with labour; that it cannot; because it has got to vary with something else, something which goes independently, namely, price of production.

The error is one of logic. Suppose one man is going North and another is going East. If I am going parallel with the second man I cannot also be going parallel with the first. Because they are not parallel with one another. That is the situation with labour and cost of production. Value should keep parallel with both if Marx is right; but it cannot because they go divergent ways.

It is not suggested here that labour has nothing to do with the creation of value. That would be an absurd statement. The suggestion is that Marx is wrong when he says that it is the

entire and only cause. We insist that if value came from labour alone, it would vary with it. It does not do so. And there seems to be no reply to this except a surrender of Marx's principles.

CHAPTER II

THE FALLACY IN THE LAW OF VALUE

MARX holds that the labour in a commodity is the sole source and measure of the value of it. If we ask what a thing with ten days' work on it will bring in exchange the answer is "other things with a total of ten days' work upon them." We are now to examine into the validity of this law, and it is fair to Marx to take notice at once that although first appearances are against the truth of it first appearances are not the end of the matter.

I

First appearances are certainly against it. If the source of all value is labour, a shoe ought to have more value if there is more labour on it. This may often enough hold good. More work is wrought upon a very fine shoe than upon a coarse one, and it has a higher value. But what about a coarse one which has been made by an incompetent man? A professor or a parson might take thrice the time to it that a properly qualified workman would take, but the article would not sell any the better. It would sell a great deal the worse.

If False objec-
tion to the
Law of
Value.

As it has been well put, one man may take much less time to make a spoon than another to spoil a horn ; yet the spoilt horn is not therefore more valuable than the spoon.

But Marx recognises this and shows that the difficulty is a mere misunderstanding.

“ It might seem that if the value of a commodity is determined by the quantity of labour bestowed upon its production, the lazier a man or the clumsier a man the more valuable his commodity.” So says Marx in Chapter VI of his *Value, Price and Profit*. “ This, however,” he continues, “ would be a sad mistake. In saying that the value of a commodity is determined by the quantity of labour worked up or crystallised in it, we mean the quantity of labour necessary for its production.”

This is quite final. In Marx's view it is by the labour necessary for its production that a thing sells. When I take a piece of work to the market I shall get for it such goods (or the price of such) as cost the same number of labour-hours to make, which were necessary to complete that piece of work. And by “ necessary ” is meant “ necessary as things now are.” If I overstep the needful time in any way or for any reason I pay for it. If I cling to old-fashioned methods when other people are availing themselves of better, it is all the same as if I were lazy or incompetent or ill or old. I cannot then count on getting for my product the time I gave to it. I can only count on getting the equivalent of the

time necessary in the given state of society, for doing such a piece of work as this.

II

So far from saying that goods never sell above the amount of labour necessary to produce them Marx teaches that this must occasionally happen. The proper formulation of the Law

Quite in the spirit of his century, he is full of a belief in material progress. "Production on a grand scale, concentration of capital, machinery, subdivision of labour, improved methods, appliance of chemical and other natural agencies, shortening of time and space by means of communication and transport, and every other contrivance by which science presses natural agencies into the service of labour, and by which the social and co-operative character of labour is developed,"—all these things contribute to the same result according to Marx. Their effect is to secure that a given amount of labour shall produce more in the time. They make labour more productive of goods. And to him it is almost part of the nature of things that these improvements should occur. It is almost a natural law.

Every step in this process is an occasion when goods are to be found exchanging temporarily at a price above the amount of labour required to produce them. This too is in the nature of the case. If an employer hits upon a device which enables him to produce shoes per week at, say

ten times the number of pairs per man employed which was possible on the old methods, then for quite a while he will constantly be putting shoes on the market which, even though he is undercutting his neighbours and catching their trade are being sold by him at far above the amount of labour necessary to make them on his new method.

But the advantage is temporary. The exchange value cannot stay in that inflated state. That is not its natural level. In a free competitive system the normal result of this man's success is that others learn to put their capital into similar labour-saving devices. And as capital becomes more and more invested in this new type of thing, competition gradually brings the price of the product down until a man gets for it just what will buy an equal amount of labour in some other form.

And here Marx lays down the formula for his Law of Value. "As a general law we may therefore set it down that the values of commodities are directly as the times of labour employed in their production, and are inversely as the productive powers of the labour employed."

III

The crux.

This is how Marx states the Law of Value in Chapter VI of *Value, Price and Profit*. It was important to him, however, to make sure that the law holds, even when it is formulated

so as to make the value vary not with the labour but with the "socially necessary" labour. This we must now look into.

If the exchange value of every article did tend in the long run to go according to the labour needed for it, to be high when it was high and low when it was low, we might then be tempted to think that the labour was the sole source of the value and that therefore it wholly belonged to the labourer, and profit was exploitation of him or in other words robbery. When we examine into the matter, however, we find that things vary in value according to something else, and something their varying with which is incompatible with their varying according to labour.

For there is a law which governs the price a commodity will fetch in the market. We have seen it already. A thing must be sold so as to yield a margin of profit on the capital needed to produce it. We have here the crux of the whole matter.

IV

It is a commonplace of political economy that under the competitive system things tend to fetch a price a margin above their cost of production. Marx does not attempt to deny this, yet his system is built on the assumption that things fetch a price proportioned to the labour-time that is in them. The difficulty about having

"Equal
average rate
of profit."

both these statements correct is that they are not compatible with one another.

In the competitive system things inevitably have to be priced so as to pay. This is elementary knowledge. They cannot be sold for just what they cost or the maker could not subsist. If then, profits tend to keep about a certain fixed percentage of the capitals, the prices of produce will vary with the capitals themselves.

That profits do keep about a certain percentage is again everyday knowledge. When we go to invest a little money we find that four or five per cent. is reckoned a fair return, that three per cent. is modest, and that ten per cent. is good. But there is such a thing as an average rate of profit that can be reckoned on. It is inevitable that there should be. All profits must tend to come to, and stay around, an average. Suppose that, starting a business, you put out a capital of £1,000 and at the end of the year realise £1,100. That is ten per cent on your outlay and rather good. Suppose this well above the average of what men can make in most other businesses at the time. Marx would be the first to see that this would prove a standing temptation to others to put their money into this line too, undersell you, and by bringing your prices down bring your profits to something near the average level which prevails. Special circumstances such as monopolies, patent laws, trade secrets and the like, may come in as artificial barriers which shut competition out. But where competition

is allowed to work, the law is that goods tend to be priced to show a certain average rate of profit on the capital invested. They must tend to exchange at a figure a little over their cost of production.

The problem for Marx, then, since he does not deny this, is to show how the power of goods to exchange still depends on the amount of labour-time they contain; how the price of the article still follows the labour, although it admittedly follows the total amount of capital requisite for the thing's production.

V

It would be quite plain sailing if all the capital went to pay wages. The prices could then follow the capital and still be in proportion to the labour.

The conditions under which Marx's Law of Value would hold.

In primitive times this might approximately be so. We might imagine a master setting a gang of slaves to work, first to make a few rude tools and then to till a piece of virgin soil with them until it brought forth fruit. We might then imagine the master taking all the fruit and after allowing them a portion to keep them alive selling the rest and pocketing the proceeds. If there were many such masters and competition sprang up between them in the selling of their produce; if it were open to any of them to leave this business and go into some other if it did not pay him well enough; and if it were similarly

open to other people to enter this business if it got the reputation of paying very well ; then very soon, here as elsewhere, profits would find their level. If a master was to stay in this business, then the amount left to him after the labourers were paid would have to be about as good a percentage of what he expends on them, as would be yielded to him if he expended the same amount in other lines of business. And profits thus finding their level, prices would tend the same way. One could soon count on getting this produce at a figure per pound or per ton which would repay capital outlay with a margin. No difficulty would in this case arise. Marx's law would literally hold. The goods would always be selling according to the labour in them, because all the charges which the selling price had to bear would be labour charges.

In the conditions with which Marx is dealing, it does not ; for value does not follow wages there.

There may have been times in the history of the world when this was more nearly the way of things than now. It is certainly not the way now. Nowadays a man does not spend all his capital paying his men. Before he can start his workers at all in the present state of society he may have to spend half or nine-tenths of his capital providing raw material, tools, plant, etc. for the workers to begin. It is not to the purpose to point out, as Engels has done, for how many thousand years in primitive societies circumstances were such that Marx's Law of Value held. Marx is not dealing with primitive societies but with capitalistic ones, and is trying to put his

finger on the law which holds there. And there a man must price his goods so as to secure a return on all he spends, which is much more than he spends in providing labour. Moreover the amount spent on labour in capitalistic societies is not always the same proportion of the whole, and does not even tend to be. It goes its own way and values do not follow it. There lies the difficulty.

VI

X

It might be complained that the difficulty is due to a mis-statement. Marx held that the value of a product follows the labour on it; and we are making him teach that it follows the employer's wages-bill. The wages-bill represents the labour paid for; a very different matter, it may be said, to the labour done. And it is with the labour done, the paid and the unpaid parts together, that Marx makes the value vary.

And in any given state of society, wages are an index to the amount of labour wrought.

But in point of fact, what varies with the labour done, varies also with the labour paid for. The objection does not hold. Although the wages-bill follows the paid part of the labour the paid part is, on Marx's other principles, a fixed proportion of the whole. Accidents may temporarily make it oscillate. But the tendency of the competitive system is necessarily towards making the part of the labour which is paid for in any given state of society, a certain proportion of the whole that is wrought. To see this we

must briefly glance at Marx's conception of labour-power and its distinction from labour.

In a given state of society it can be said of any given quantity of raw material, "The labour necessary to transform this into the finished article is so or so much." To get the labour executed the manufacturer buys from men their labouring-power and gives them wages for it. He then turns on this man-power just as he turns on his machinery; more and more of it until his goods are made.

Marx is very insistent that labouring-power is not labour. Labouring-power is a man's physical and mental capacity for work. His actual labour is the expending of that capacity, the using of it up.

But we can always take the labour-power bought, as an index to the labour done. We can always say "The greater the amount of labour which the manufacturer requires, the greater is the amount of labour-power he has to buy." The manufacturer pays for labour-power in hours of labour; and the hours of labour he must pay remains a fixed quantity according to the cost of production of labour-power.

For labour-power is a commodity with a cost of production. "The manufacturer who calculates his cost of production and, in accordance with it, the price of the product, takes into account the wear and tear of the instruments of labour. If a machine costs him, for example,

one thousand shillings, and this machine is used up in ten years, he adds one hundred shillings annually to the price of the commodities, in order to be able after ten years to replace the worn-out machine with a new one. In the same manner, the cost of the production of simple labour-power must include the cost of propagation, by means of which the race of workers is enabled to multiply itself, and to replace worn-out workers with new ones. The wear and tear of the worker, therefore, is calculated in the same manner as the wear and tear of the machine" (*Wage-labour and Capital*, Chap. IV.)

Labour-power thus has its cost of production ; and it amounts to the "cost of the existence and propagation of the worker." Cost here means cost in the necessities of life, which again means cost in the labour-time necessary to provide these. Such labour-time will be a constant number of hours per day in any given state of society. The lengthening of the working day does not affect it. A man cannot work beyond a certain length of time upon a certain quota of the means of subsistence.

Hence, although the labour paid be not the labour done, it must go up and down with the labour done. It is a constant proportion thereof and so if value follow the labour done it will equally follow the labour paid for—*i.e.* the wages-bill. We come back, therefore, to the difficulty. In capitalistic societies prices go by the whole capital necessary, so they cannot go by labour,

since in capitalistic societies the amount spent on wages does not form a constant proportion of the whole capital.

VII

Marx recognises the difficulty in maintaining his reading of the facts.

No one has recognised the conditions of this problem more frankly than Marx himself. He sees that the proportion of the whole capital which is spent on labour varies. On the one hand it varies with time. In course of the progress of invention, the cost of plant becomes greater in proportion to the number of hands employed. "If the original proportion of these two elements . . . was one to one it will, in the progress of industry, become five to one, and so forth." (*Value Price and Profit*, Chapter XIV.) On the other hand, lapse of time is not needed to produce this variation. Even at the same moment the same size of capital employs the most different amounts of labour in different industries. The digging of coal, for instance, is almost all labour. In some branches of modern engineering labour costs are very small compared with other costs. Marx expresses this by saying that capitals are of different composition, higher composition when the amount spent outside of labour is high, lower composition when it is low. (See *Capital*, Vol. I, Chap. VIII, also the first section of Chap. XXV.) If, then, the price which the product fetches must tend to keep about enough to show an average profit on the whole

capital, how can it vary with the labour, which is not a constant proportion of the whole capital?

To answer this Marx has recourse to many different turns of argument in the third volume of *Capital*; but he has no main line, for no line of argument can even approximate to a proof of a mathematical impossibility. But he shows no way out of the impasse.

We give here a table, adapted from one of Marx's, showing how things ought to fall out, if Marx's Law of Value held good. It will be noted that we are taking five equal capitals of £100 each, and showing the £100 applied in five several ways according as the industry in which it is invested requires a great or a small proportion of it to be spent in labour. We show (Column 3) as being spent on labour alone, sums ranging from £40 down to £5.

	1.	2.	3.	4.	5.	6.	7.
	Total Capital Spent.	Spent outside of Labour.	Spent on Labour.	Ratio of Unpaid Labour to Paid.	Conse- quent Amount of Unpaid Labour.	And of Profit.	Final Value of Product.
I	100	60	40	100%	40	40	140
II	100	70	30	do.	30	30	130
III	100	80	20	do.	20	20	120
IV	100	85	15	do.	15	15	115
V	100	95	5	do.	5	5	105

The first column, here, gives the amount of total capital spent each time. We are to suppose it all spent. Put concretely, we are to imagine a manufacturer setting up a business, erecting buildings, laying down plant, getting in material, assembling men and running the concern for just

a year ; when he sells up plant and buildings, disposes of any left-over material, and finds that his net spendings come to just £100 and that there remains in his hands a collection of marketable goods, the year's produce. If we ask, at what must that produce sell under ordinary conditions of industry, mere common sense is enough to tell us that it must sell at a margin over £100 ; and this, whatever the nature of the product. Yet on Marx's principles, the selling prices should come out differently in the different cases, and should run as shown in the final column. Every figure there is arrived at on Marx's principles—*i.e.* by taking the value of the raw material etc. (column 2) and adding to it the whole extra value accruing from the labour of the workmen, the paid part (column 3) *plus* the unpaid part (column 5). Thus in the case of capital number I, to 60 there has been added in all 80 giving a total value of 140. In case II, to 70 there has been added by the workmen 60, giving 130 as the total resulting value, and so on. In each of the cases the selling value of the produce is shown as equal to the sum of (*a*) the raw material and depreciation, *plus* (*b*) the paid part of the labour, *plus* (*c*) the unpaid part of the labour. These are the values as they should be if value went by labour.

But in actual practice, where any such values as those shown in cases I-IV are being realised for an outlay of £100, the tendency under capitalism is for capital to flood the better paying

lines until all are levelled to something near case V. Profits level themselves down without the "composition" of the capital being changed. A capital employing much labour yields produce of the same value as does the same capital employing little labour. Exchange values follow the amount of capital sunk, whatever it may be spent on.

VIII

In the ninth chapter of the third volume of *Capital* Marx makes an effort, one amongst many, to get out of this impasse. At the beginning of that chapter he exhibits in tabular form the situation as it would be if values were according to labour, in the case of five equal capitals differing from each other only in their "composition." The table is as follows :

An argument he uses. It amounts to giving up the doctrine that commodities sell by the labour that is in them.

	1.		2.	3.	4.	5.
	Capitals.		Rate of Surplus Value.	Surplus Value.	Value of Product.	Rate of Profit.
I	80c.	20v.	100%	20	120	20
II	70c.	30v.	do.	30	130	30
III	60c.	40v.	do.	40	140	40
IV	85c.	15v.	do.	15	115	15
V	95c.	5v.	do.	5	105	5

Here the first column gives the composition of the various capitals, *c* representing the constant part spent outside of labour, and *v* the variable part spent on labour. The rates of profit shown in the final column are just the

surplus values shown in the third, which again are in each case the equal of that part of the capital, v , which is spent on Labour. For the labour leaves as profit to the capitalist, in these cases, half the new value it creates. In Marx's language, the "rate of surplus-value is 100 per cent."

These in the final column, then, ought to be the profits, if the values went by labour. But they are not the profits. How does Marx get over this? He does it by making a distinction quite fatal to his theory. He distinguishes between the profits really made and the profits which actually come. The profits which actually come to the five capitals are all alike.

Nevertheless, he argues in effect, the profits here set down are the profits really made. They do not actually come. The holder of the capital does not in every case reap the appropriate profit. Through some contingency, by some side wind or other, there comes to each of the various capitals a profit of equal amount to all the others, so they all share an "equal average rate of profit."

But in face of the plain fact that these capitals actually bring in the same, what is the meaning of saying that the figures set down in the table are the profits they really make?

It can have only one meaning, namely that Marx's doctrine of value—his central economic principle—is not true. His central teaching hitherto has been that goods sell at their value, meaning their value in labour. He is still telling

us, in words, that their value in labour is their real value; but he is saying now that they do not sell at it, but practically always at some other figure. But if goods do not bring their value in labour, where is his case for the labourer?

The fact is, nothing is left but the old moralising position which we thought was thrown aside. Marx admits that for goods with a capital of £100 behind them, the price which in the normal way of business you will be able to command will be simply a margin over £100 be the labour in them great or be it little. He then adds that their real value is nevertheless the amount of labour in them. But if they do not sell at their "real" value, what is it to us to be told what their "real" value is? That is simply the old point of view of mere piety which Marx had exploded. Their "real" value is the labour; so we "ought" to value them at that. Marx was not having this. As we saw in section V of our first chapter (p. 12 above) he was not out to tell us what we ought to do, but what we did. The only reason for saying that all that the article brings should come to labour, was that the article actually, in the long run, sold according to the labour in it. If it does not, then we have no alternative but to go back again and try to see whence the value really comes.

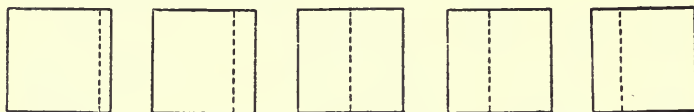
And as to this question itself, the utmost we can say for certain with the data which we have is that value does not come from labour alone. Whatever the right answer to his problem may be

it is clear that Marx's answer is wrong. He has clearly taken back with his left hand what he gave with his right, and has left the case where he found it.

IX

Diagram-
matic repre-
sentation of
the Marxian
fallacy.

Let us endeavour to present graphically the two alternatives, what Marx's principles require and what the facts show to be the case, with respect to the relations of value and labour. Let us represent five different capitals by as many squares, and let them be of varying sizes, a larger square representing a larger and a smaller one a smaller capital.



The question is as to the total of goods produced by each of these capitals in the year. It has a certain exchange value, but a different one in each case. What does the value depend on? What does it vary with?

In the diagrams, the part of the square to the left of the dotted line is the constant capital, spent on raw material, etc. The part to the right is the variable capital, spent on labour. If Marx's principles are correct, the value of the year's produce should tend to go by the amount spent on labour. It should depend on how much of the right side of the square the dotted line cuts off. In other words, it should depend on

where the line is drawn. If it is drawn near to the right the value should be small, if it is drawn more to the left it should be larger, with the same size of square. And Marx admits that it may be drawn anywhere. What do the facts say? *In point of fact, the value of the total produce of each capital varies simply with the size of the square itself, and the place where the line is drawn within it makes no difference.*

By putting the matter in this diagrammatic fashion we may get some hint as to where the value really comes from. On the data before us it plainly, as we said, does not come from the labour alone. Equally plainly, labour has something to do with it. The chances are that it comes from the labour and the constant capital together. At least, it varies with that. It follows the total size of the square.

X

Another semblance of an argument for Marx's position can be extracted from his statements in the same chapter, the ninth of Volume III of *Capital*; although there is some difficulty in so presenting it as to make it even look plausible.

Another argument used by Marx, which is a tautology.

The proposition to be proved was the Marxian Law of Value, and the difficulty was the uniform average rate to which profits on capital tend, under competition, to fall. Succinctly, How

can there be an equal average rate of profit if value follows labour?

Reduced to essentials the argument is as follows:—Even if value (and so profit) follows labour, there can still be an average rate of profit; because if you take all the capitals together and average the various amounts of labour they employ, you find that there is an average. That is the essential point of the argument. There is in fact an average. There is an average amount of labour employed per £100 of capital in the community.

Assume a steady rate of surplus value. Say, as in the tables above, that the surplus amounts to half the entire extra value put in by the workman. Bear in mind, too, that the surplus is the profit. The profit “earned” by every capital in a given stretch of time will be just one half the total number of hours worked by the men employed. This number will vary. Sometimes £100 will provide work for 80 hours when there will be 40 hours of profit, sometimes it will only provide work for 10 when there will be 5 hours of profit, and so on. But since there is an average number of hours per £100 there will be an average amount of profit per £100. And while the real profit on £100 may vary, say, from 40 down to 5, according to the labour it employs, competition will come in and bring the actual profits on each £100 to an equality with the average.

But an argument like this has not even the

appearance of plausibility. What does the mere mathematical truism that there is an average tell us? It tells us nothing except that there is a total. Let every hundred-pound unit of capital that exists employ on an average a certain amount of labour per year. What does this state? It only states that the total capital which exists employs a certain sum-total of labour. But we can get nothing whatever out of this.

The total capital employs a certain total of labour. All the capitals in the community taken together employ the total of the labour altogether. We are somehow to get from this a proof that under equalisation of profits value may still follow labour, or that under labour-values there may still be equalisation of profits. We are to find that somehow these two things are not incompatible. And the argument is that if this total capital offered its total products for sale, the selling price of the whole aggregate of produce would equal the said total of labour.

To put the argument in another way. Suppose the five capitals in the table on p. 33 represent the entire capitals in the community. Then, just as, in this table, "the aggregate price of the commodities of I to V would be equal to their aggregate (labour-) value," so in the community "the sum of all the prices of production of all commodities, comprising the totality of all lines of production, is equal to the sum of all their (labour-) values." (See *Capital*, volume III, p. 188, English Translation.)

But, to come at once to the point, what do you actually say when you say that the price of the total produce "equals" the total labour? or that the sum of the prices of all commodities "is equal to" the sum of their labour values? The answer is, exactly nothing.

What is the meaning of the statement that the price *equals* the labour? We must observe, Marx has to say "equals." He cannot say "follows" or "varies with." The reason is that he is speaking about the total. The total does not vary. If it did, it just would not be the total. He has, then, to say that the value of it "equals" the labour in it. And the word at once makes the statement meaningless. What it says is that the price of the total (what you would get in exchange for it) contains an amount of labour equal to what the total itself contains. But if one asks, What does the total exchange for? or, What would it fetch? meaning not in money but in actual goods, what sort of an answer is possible to the question? What can the total of goods have for its equivalent in exchange except just the total of goods? And of course the total has the same labour in it as the total. But what can one take from a fact like this?

We certainly cannot take the important dogma that the total's value lies in the labour. However true this maybe, we have here no reason given for it. It is not only in its labour that the total is the same as itself. It is the same as itself in

every feature it has. It has the same labour as itself ; but it has the same bulk too, the same weight, the same number, the same everything. We can no more reason thus : “ the total of things exchanges for something with the same labour, therefore its value is in the labour,” than we can argue thus : “ the total of things exchanges for something with the same bulk or weight or density, therefore, its value lies in the bulk or weight or density.” So far as this argument is concerned, you could as easily say that the value of a thing depends on its bulk as that it depends on the labour bestowed upon it. We can argue nothing from the totality of commodities. If the difficulties cannot be got over by other means than that, they must remain.

CHAPTER III

THE SIGNIFICANCE OF THE FALLACY

Marxism
and its
economics.

WE have now endeavoured to make clear the fallacy underlying the Marxian Law of Value. But Marxism is much more than a system of economics. It is a widespread and vigorous social movement. It may occur to the reader to wonder why, since the system is undershot by a fallacy so plain, the movement has seemed to be so little up or down of it.

It is a perplexing fact, but a truth, that a social movement can sometimes be both widespread and vigorous although its theoretical foundations are very slender. It is an exaggeration, however, to say of the Marxian movement that it has been unaffected by the weakness we have pointed out. It is not the case that Marxists have gone on undisturbed by the presence of the economic fallacy in their system. The difficulty upon which we have dwelt, the failure of the Marxian system to pass the test of economic fact, has by no means remained unperceived by the thinkers of the Marxian circle, or been contemplated by them with equanimity. Indeed, circumstances have so ordered it that the romance of Marxism may be said to have

gathered round the point. Marx, as we have insisted, was not a man constitutionally afraid of facts. He knew always of the existence of this (to him) particularly fatal fact of the equalisation of profits, little as he believed it to be fatal. And in the sanguineness of conviction he undertook, from quite early in his career, that he would deal with it by and by and explain it. And it was his lot to have to confront it at the last in rather a dramatic way. As is well known he was, in a manner of speaking, recalled from his grave to face it.

I

It is well known that Marx only lived to see the first volume of his great work published. When he died, the manuscripts of the second and the third were left in an incomplete state, to be arranged and edited by his lifelong friend and fellow-worker, Frederick Engels.

Marx and
Rodbertus.

It had been a thorn in the flesh of Marx during his lifetime, and a great source of annoyance to his friends after his decease, that he had been accused of plagiarism. The followers of Rodbertus, a fellow-countryman of Marx, insisted that Marx had obtained some of his main doctrines from him without acknowledgment; people underestimating, as usual, the chances of two competent thinkers independently discovering the same things. Engels decided to settle the matter in what seemed to him a definitive way. He used for the purpose this

question about the equalisation of profits. When issuing the second volume shortly after Marx's death he took occasion to insert in the Preface a challenge to the followers of Rodbertus, seeing that they considered Marx's view that value depended on labour to be not his own at all but their master's, to show if they could from the Rodbertian writings how it was that an equal average rate of profit was still possible if value followed labour. For Marx's solution of the problem was to appear in a few months' time in the third volume of his works; and no doubt Marx who had got everything from Rodbertus had got his solution of this from him too.

It happened that years elapsed before the appearance of Marx's third volume, Engels explaining that he had much underestimated the difficulty of putting it together. Meanwhile, the challenge to show how Rodbertus solved the difficulty, hung up as it was before the public for this length of time, had had the effect it was bound to have. It made people ask more and more eagerly, How did Marx himself solve it?

Experts had not been slow to say that the difficulty could not be solved, except by giving up Marx's principles. But that, of course, did not prevent the attempt from being made. And, in point of fact, the followers of Marx tried their hand at the task in much greater numbers than did the Rodbertians. When at length

the third volume of *Capital* appeared, Engels announced in the Preface that none of the attempts had succeeded in giving the true Marxian solution, and added that in this volume the true solution would be found—although without indicating whereabouts. But by this time interest was intense. The critical intellect was thoroughly awake. People had tried all ways of it. The most vigorous minds in the whole Marxian following had been running over all the solutions they could think of. They were in a condition both to detect the slightest flaw in the solution, and to feel it to the full, should such a flaw prove to be present.

Now, the “true solution” when it appeared, was the one we have examined. The consternation was great. A most impressive list could easily be collected of the expressions which it called forth from among the ranks of socialistic writers. What was plain was that Marx had dropped the great Law of Value. He had admitted that in actual fact value did not follow labour. And efforts to explain away the collapse were many and various. One tried to say that Marx’s point of view had “developed.” Another that the Law of Value was still a very useful idea, although it was no longer a law. Others found that Marx’s solution was just their own, while others again were frankly upset. There is little wonder that when we come to one of the strongest of all the followers of Marx, M. Georges Sorel, we should find the attitude

taken up, that no store is to be set by the Law of Value at all, that the whole controversy was mischievous and ought to be banished from scientific socialism altogether and forgotten. We are not sure that this is not the strongest line that a defence of Marx could now take.

II

The recent
Marxists.

When Professor Boehm-Bawerk presented the objection to the Marxian economics, which we have here been trying to present again ; when he presented in acute form the question as to how the value of a bale of goods could depend on the labour in it when it follows the amount of capital behind it, Sorel referred to the point Boehm-Bawerk had raised, as his "fastidious question."

Strange as it may appear we believe that this will be found in the end to be the strongest defence that anybody can put up for Marx in this connexion—to pooh-pooh the whole problem and say that it does not matter. The best defence of Marx's economics, in other words, is to sacrifice them, and say that his title to a hearing does not rest there at all. This is what we referred to at the outset, when we said that there might be much still to be discussed in him after his economics were finished with.

Yet it is not a very good defence. If the whole problem of value is a "fastidious question," what, we naturally ask, is the great thing

in Marx? The answer we receive is, of course, the class war; the doctrine of a struggle between proletariat and bourgeoisie which is never to end until, by a short sharp revolution, the proletariat take into their own hands the means of production, abolish the wages system altogether, and run the industrial enterprises themselves. The great thing in Marx is understood to be his preaching of the implacableness of this opposition, his view that between capital and labour there must be no agreement, no attempt at compromise, no cessation of struggle until capital goes under and the proletariat becomes independent.

It is beyond our present purpose to enter into a discussion of these larger questions. But the following at least seems to stand out fairly clearly.

The class war appears to be very much the central point of Marx's interest. He wanted war, not peace. And he wishes to inspire men with the determination to go on with it till revolution. He was interested in this kind of thing.

But the fact remains that he spent his energies upon a work on economics, in other words, upon a theory of value. Why did he do this? He was, of course, a scientist, and had a strong scientific interest, as we have pointed out. But he was not working at economics for pleasure. He did not imagine that it was without bearing on the main work of his life. What bearing had it then? What had his theory of value to do with the class war?

The answer is simple. It furnished the justification. And this was of value to Marx, despite all his protestations. Much as he may have despised moral considerations, he knew as clearly as any other general that the people who are to fight a successful war will be none the worse for believing in it; that in fact they will be hard to rouse into rebellion for a cause of which they do not believe in the justice. Now this was to Marx the great central fact—that there was an inevitable injustice in the capitalistic system, that the existence of capital was a systematic spoliation of labour, a robbing it of its fruits. Everything in this connexion turns on his being able to show to labour that the fruits being taken were its. This is the justification; and if this justification of Marxism is not valid, then those who want the cause to flourish must provide another. It is interesting that those more recent Marxists to whom we have just been referring try to offer another; with what success we cannot inquire here. We are interested here only in Marx's own, the one he derives from his economic system, and it plainly will not hold water.

III

The truth
beneath
Marx's error.

Is there then no truth at all hovering around Marx's somewhat cumbrous mind as he works out a theory of value through so many hundred pages of tireless reasoning? No one could say that. There is no doubt that in some general

sense of the term man lives by labour. Everything we have and enjoy, in the way of material conveniences and comforts, all about us that can take the imprint of the intelligent life of man, came originally out of the earth. The table at which I sit was once a tree which grew, was felled by human hands, sawn, dried, planed, jointed by dint of human skill with tools which are the legacy of an immemorial past ; and of everything I have and use, the clothes I wear, the food I eat, the roof over my head, essentially the same story could be told. Mankind are all, in some sense, engaged upon the same great task, the task of extracting the means of subsistence, by labour, from the surface of the planet whereon their abode is cast. Labour in some sense or other is the source of all value. But that is not to say that what Marx calls capital is *not* a source of value. There he perverts the truth.

For when Marx says capital, he means capital as distinct from living labour. Wealth, according to him, should go to living labour alone. It does not come from there alone. Wealth arises, if we go to the root of the matter, out of the labour of the living, co-operating with the labour of the dead.

How are products made? They are made, as Marx himself abundantly shows, through men working upon raw materials with tools, which required tools to make them ; these, in turn, requiring further tools to make them, and so

back and back indefinitely into the past. We do not confront Nature in our own unaided strength. Placed in our hands, as a legacy from the generations before us, are the means whereby we address Nature with authority and command her to yield her treasures up to us. Strictly it is not to us that Nature yields the wealth, but to a mystic pact between us and our whole social inheritance ; the pact between intelligent living labour and the embodied labour of the past, as that stands before us in tools, inventions, ideas and institutions.

If this be the truth of the matter, what comes of Marx's unconscious and underlying and entirely just principle that the wealth should come to its creators? What is left of it? Not very much is left of it, but a little is. It would seem to require that the wealth should come to all who play their part in the great task of keeping the social system running. The social system is the other partner. The social system is the accumulated past. If this be so the capitalist himself is a labourer, except he be a sinner against that system. And seeing the value comes exclusively neither from any one of the living labourers concerned nor from them all together, but really from them and the dead in mystical social union ; and seeing that neither the extent of the several contributions to the resulting value nor the extent of that value itself is capable of being calculated mathematically at all, either on Marx's principles or on any others, it seems

incumbent on us to give up the whole habit of measuring satisfaction in terms of money and the whole hope of achieving satisfaction by merely re-distributing money. [There is no way of measuring a man's contribution to the value of a product. Marx himself gives us no way. He recognises differences of skill between labourers, as one goes from one sort of work to another. What he says is that one hour of skilled labour contains, or is the equivalent of, such and such a greater quantity of labour which is unskilled, or, as he names it, "abstract human labour." But he has no way of measuring how many hours abstract labour there are in an hour of any one grade of skill, the sculptor's, the mason's, the overseer's or the clerk's. He holds that the reward should come to living labour, but when we ask, How much to whom? he has nothing to say. He can only measure their several contributions to their joint product, by the reward they in fact severally receive. Marx has no independent way of measuring how much labour a man contributes. So he cannot determine how much the capitalist contributes. And certainly he cannot prove that the capitalist contributes nothing, except he be chargeable with social failure. And that depends on what it is that really keeps society together and what sin against it is. Marx does not help us at all to settle these matters by mathematical methods. We cannot leave things as they are. That is admitted on all hands. But it is impossible to

apply a rule and a measure and decide contributions to wealth and titles to reward by a calculus.

Marx has done a very great deal to drive indelibly in upon the mind of the present generation the truth that we are all here to work. But nothing that he has given will enable us to stand up and say of any man that he is not working. Nor does he enable us to say of those who obviously are working, how much work they are doing. He leaves all these questions just where he found them, and the chances are that in our efforts to settle them, our one hope of success will lie precisely in our ability to forget altogether the sort of abstract quantitative standards which he endeavoured to use.

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